

FISCAL IMPACT STATEMENT ON BILL NO. **H.4850, Committee Amendment**  
(Doc. No. 12435AC06)

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TO: The Honorable Daniel T. "Dan" Cooper, Chairperson, House Ways and Means Committee  
FROM: Office of State Budget, Budget and Control Board  
ANALYSTS: Harry Bell  
DATE: April 19, 2006 SBD: 2006203

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AUTHOR: House Ways and Means Committee PRIMARY CODE CITE: 44-6-1400  
SUBJECT: Small Business Health Insurance Premium Assistance Act

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ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:  
\$0 (No additional expenditures or savings are expected)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:  
See Below

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**BILL SUMMARY:**

House Bill 4850 with Committee Amendment would enact the "Small Business Health Insurance Premium Assistance Act". The program would be established within the Department of Health and Human Services (DHHS) for the purpose of providing health insurance premium assistance to small businesses for all employees and spouses whose incomes are at or under 200% of the federal poverty level. The amendment would require DHHS to place a cap on the number of employees who may enroll in the program to ensure that no more funds are expended than available in the Medicaid Matching Fund. The Bill also mandates coverage for children eighteen and under whose family income does not exceed 200% of the federal poverty level.

**EXPLANATION OF IMPACT:**

The Board of Economic Advisors estimates additional cigarette tax revenue upon enactment at \$105,600,000 (excluding interest earnings). Of that amount \$3 million would be allocated to the Department of Health and Environmental Control; \$2 million would be allocated to the Department of Agriculture and the balance of \$100,600,000 would be allocated to the Department of Health and Human Services (DHHS) for implementation of the Small Business Health Insurance Premium Assistance Program and for expansion of the Children's Health Insurance Program (CHIPs). Cost estimates associated with implementation and expansion of these programs at DHHS is summarized below.

Section 44-6-1420 – Medicaid Expansion to Children whose Family Income is under 200% FPL

DHHS estimates expansion of the Children's Health Insurance Program (CHIPs) to children whose family incomes do not exceed 200% of the federal poverty level would result in an additional 65,178 Medicaid eligible recipients. Based on this estimate total additional cost to that program would be \$80,759,052 (including administration). Of that amount \$17,250,134 of cigarette tax revenue would be needed for state matching funds which would generate \$63,508,918 in federal funds. The CHIPs program has a match rate of approximately 80% federal / 20% state match. Program administration costs are estimated at \$2,046,526.

Section 44-6-1410 – Small Business Health Insurance Premium Assistance Program

DHHS estimates that approximately 141,405 employees could be covered under the Small Business Health Insurance Premium Assistance Program with \$83,350,000 of cigarette tax revenue alone being used as state matching funds. Federal funds could be estimated at \$182.2 million. Employer (25%) and employee (15%) contribution revenue is estimated at \$169.7 million assuming 40% of premiums costs are covered from these sources. It should be noted that employer/employee contribution funds cannot be used for Medicaid match.

Total administration costs for the program are estimated at \$11 million. The Medicaid program has a match rate of approximately 70% federal / 30% state match. Cost estimates are summarized below.

<b><u>H.4850 Impact Summary - Committee Amendment</u></b>			
<b><u>Children's Health Insurance Program</u></b>	<b><u>Administration</u></b>	<b><u>Program</u></b>	<b><u>Total</u></b>
Cigarette Tax	437,138	16,812,996	17,250,134
Federal Funds	1,609,388	61,899,530	63,508,918
Subtotal	<u>\$2,046,526</u>	<u>\$78,712,526</u>	<u>\$80,759,052</u>
<b><u>Small Business Premium Assistance</u></b>			
Cigarette Tax	5,514,802	77,835,064	83,349,866
Federal Funds	5,514,802	176,694,250	182,209,052
Employer / Employee Contribution	0	169,686,209	169,686,209
Subtotal	<u>\$11,029,604</u>	<u>\$424,215,523</u>	<u>\$435,245,127</u>
<b><u>Total H.4850</u></b>			
Cigarette Tax	5,951,940	94,648,060	100,600,000
Federal Funds	7,124,190	238,593,780	245,717,970
Employer / Employee Contribution	0	169,686,209	169,686,209
Grand Total	<u>\$13,076,130</u>	<u>\$502,928,049</u>	<u>\$516,004,179</u>

**SPECIAL NOTES:**

As noted in the Bill DHHS would have to apply for and obtain a waiver to generate federal funds for implementation. The Board of Economic Advisors is the appropriate entity to address the revenue impact associated with this or any other Bill.

Approved by:



Don Addy  
Assistant Director, Office of State Budget